

Agency Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	61.14	61.14	61.14	61.14	61.14	61.14	0.00	0.00%
Personal Services	2,766,436	3,162,114	3,149,692	3,147,960	5,928,550	6,297,652	369,102	6.23%
Operating Expenses	1,224,784	1,295,675	1,297,284	1,265,426	2,520,459	2,562,710	42,251	1.68%
Equipment & Intangible Assets	49,442	8,904	28,916	29,711	58,346	58,627	281	0.48%
Grants	77,000	78,861	77,000	77,000	155,861	154,000	(1,861)	(1.19%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	50,503	50,503	50,503	50,503	101,006	101,006	0	0.00%
Total Costs	\$4,168,165	\$4,596,057	\$4,603,395	\$4,570,600	\$8,764,222	\$9,173,995	\$409,773	4.68%
General Fund	2,668,353	2,721,748	2,823,092	2,819,227	5,390,101	5,642,319	252,218	4.68%
State Special	78,768	274,138	140,471	140,700	352,906	281,171	(71,735)	(20.33%)
Federal Special	620,578	643,738	648,211	634,408	1,264,316	1,282,619	18,303	1.45%
Other	800,466	956,433	991,621	976,265	1,756,899	1,967,886	210,987	12.01%
Total Funds	\$4,168,165	\$4,596,057	\$4,603,395	\$4,570,600	\$8,764,222	\$9,173,995	\$409,773	4.68%

Agency Description

The Montana Historical Society (MHS), authorized by Title 22-3-101, MCA, exists for the use, learning, culture, and enjoyment of the citizens of, and visitors to, the State of Montana. MHS acquires, preserves, and protects historical records, art, documents, photographs, museum objects, historical places, sites, and monuments. MHS maintains an historical museum, a library and archives, provides educational programs and services for teachers and the general public, and publishes the state historical magazine and newsletter. MHS also administers preservation and antiquities acts, supports commissions with state historical orientation, and provides technical assistance to all Montana museums, historical societies, preservation programs, and owners of historic resources.

Agency Highlights

Montana Historical Society Major Budget Highlights	
♦	The executive proposes increasing the MHS budget 4.7 percent when compared to the 2009 biennium, primarily due to statewide present law adjustments
♦	The agency reorganized and created the Education Program
Major LFD Issues	
♦	State special and proprietary funding levels are not supported and may require additional general fund or lowered expenditures
♦	Program goals do not have measurable and time-bound objectives

Agency Discussion

The Montana Historical Society executes its mandated duties with 61.14 FTE. In FY 2008 the agency reorganized its functions to add the Education Program. Funding for the program was created through appropriation and FTE transfers from the Administration, Museum, Publications, and Historic Preservation Programs. In addition, MHS shifted other FTE among programs. Figure 1 below illustrates the FTE program shifts.

Over the course of FY 2008, the agency modified or transferred among programs almost 30 percent of the positions within the agency. The transfers and modifications increased personal services costs to the general fund above what the legislature budgeted in the 2009 biennium. This is because the general fund supporting each program varies and the agency did not transfer the funding support for some of the FTE when the FTE were transferred. For further discussion, see the LFD Issues in the program sections of this report.

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- Goals, objectives and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

Any issues related to goals and objectives raised by LFD staff are located in the program section.

Agency Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Agency Market** – The agency's target market ratio for the 2011 biennium under the 2008 market survey is 106 percent depending on market increases and pay increases authorized by the legislature

LFD COMMENT

The broadband pay plan was implemented in the 2009 biennium. Part of the rationale for its implementation was using the bands and progression to market salaries to address recruitment and retention issues within the State of Montana. The market salary is defined in policy as the midpoint of the pay rate based on the average base salary that other employers pay to employees in comparable occupations. State policy does not require state agencies to set their market salaries at 100 percent of the market salary. Agencies can set their target market ratios above the market salary as long as they can fund the personal service costs. Issues with how pay changes were funded are discussed in the program sections of this report.

- **Obstacles** – MHS plans to use vacancy savings and other unexpended funds to move to the target market ratio during the 2011 biennium. Obstacles to achieving this plan include:
 - Lack of funding
 - Lack of vacancies occurring in the biennium.

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2011 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
01 Administration Program	\$ 2,435,149	\$ 231,171	\$ 169,030	\$ 864,369	\$ 3,699,719	40.33%
02 Research Center	1,771,719	-	-	198,969	1,970,688	21.48%
03 Museum Program	643,295	50,000	-	137,201	830,496	9.05%
04 Publications Program	197,937	-	-	693,304	891,241	9.71%
05 Education Program	436,877	-	-	66,136	503,013	5.48%
06 Historic Preservation Program	157,342	-	1,113,589	7,907	1,278,838	13.94%
Grand Total	<u>\$ 5,642,319</u>	<u>\$ 281,171</u>	<u>\$ 1,282,619</u>	<u>\$ 1,967,886</u>	<u>\$ 9,173,995</u>	<u>100.00%</u>

Figure 1
Montana Historical Society
FTE Shifts Between Programs

Program	2008	2010	Difference
	Budgeted FTE	Requested FTE	
Administration Program	19.74	17.79	-1.95
Research Center	14.75	15.75	1.00
Museum Program	11.15	9.00	-2.15
Publications Program	5.75	4.00	-1.75
Education Program	0.00	5.85	5.85
Historic Preservation Program	9.75	8.75	-1.00
Total	<u>61.14</u>	<u>61.14</u>	<u>0.00</u>

As shown in the table, the MHS is supported through a combination of general fund, state and federal special revenues, and proprietary funds. MHS proprietary funds are generated through sales of Montana, The Magazine of Western History, books, and merchandise in the museum store and Research Center. Unlike other proprietary funds which have a rate approved by the legislature, MHS proprietary funds are appropriated by the legislature. Discussion of issues related to the revenue estimates of the proprietary funds are discussed in the narrative sections of each program.

**LFD
ISSUE**

Additional general fund required to fully support MHS operations as proposed

The funding as proposed by the executive has several issues that are discussed in the funding sections of the program narratives that follow. In several programs, state special and proprietary funding appropriations appear overly optimistic given the current economic climate and historical revenue patterns for the funds. If the legislature wishes to fully support the operations of the MHS as proposed by the executive it would appear an additional \$156,500 in general fund would be required. The specific issues related to the funding of each program are discussed in detail in the program sections of this narrative.

Statutory Appropriations

The following table shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

Statutory Appropriations Montana Historical Society					
Purpose	MCA #	Fund Source	Fiscal 2008	Fiscal 2010	Fiscal 2011
<i>Direct Bearing on Agency Operations</i>					
Lewis and Clark license plates	02-15-151	SSR	\$50,345	\$50,345	\$50,345
Lodging facility used tax	15-65-121	SSR	133,664	153,945	154,428
Total Statutory Appropriations			\$184,009	\$204,290	\$204,773

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	2,668,353	2,668,353	5,336,706	94.58%	4,168,165	4,168,165	8,336,330	90.87%
Statewide PL Adjustments	262,945	250,107	513,052	9.09%	590,233	569,570	1,159,803	12.64%
Other PL Adjustments	(73,543)	(73,543)	(147,086)	(2.61%)	(76,527)	(76,527)	(153,054)	(1.67%)
New Proposals	(34,663)	(25,690)	(60,353)	(1.07%)	(78,476)	(90,608)	(169,084)	(1.84%)
Total Budget	\$2,823,092	\$2,819,227	\$5,642,319		\$4,603,395	\$4,570,600	\$9,173,995	

Agency Issues**LFD
ISSUE****Lodging Use Facility Taxes Funding**

Over the past several biennia the legislature has requested that the Department of Commerce (Commerce) use a portion of its statutorily appropriated lodging facility use taxes to fund historical interpretation and the Scriver collection costs. Commerce has provided MHS this funding from the 67.5 percent of lodging facility use taxes statutorily appropriated to it. Commerce transferred \$454,167 to MHS in FY 2008. This funding supported \$4,415 in personal services and \$449,752 in operating costs within the Administrative, Museum, and Education Programs. (MHS does have a statutory appropriation of lodging facility use taxes, but they are earmarked to support the Sites and Signs Program.) Previous legislatures included language within HB 2 which outlined the amount of funding the legislature intended Commerce to allocate for MHS's use. During the 2007 Legislature, the code commissioner advised that including the language within HB 2 was not appropriate.

The legislature approved including within the LFD narrative its intent to have Commerce provide funding for the MHS. The legislature may wish to consider if it wants to continue to have Commerce provide lodging facility use taxes in the 2011 biennium. MHS estimates the cost of continuing the support to historical interpretation and the Scriver collection to be \$468,611 in FY 2010 and \$482,669 in FY 2011.

As compliance with the legislative intent is voluntary on the part of Commerce, ensuring MHS receives additional lodging facility use taxes in the amounts intended by the legislature requires changes to statute governing the distribution of the lodging facility use taxes.

Options:

- o Request a committee bill to change the 67.5 percent of lodging use facility tax statutorily appropriated to Commerce to 64.5 percent and reallocate the funds to support MHS historical interpretation and museum operations. The committee bill would increase the funding percentage to MHS to 4.0 percent
- o Continue to put intent language in the narrative

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	17.79	17.79	17.79	17.79	17.79	17.79	0.00	0.00%
Personal Services	905,975	994,700	979,699	981,688	1,900,675	1,961,387	60,712	3.19%
Operating Expenses	768,273	860,323	873,018	839,814	1,628,596	1,712,832	84,236	5.17%
Equipment & Intangible Assets	20,544	0	12,750	12,750	20,544	25,500	4,956	24.12%
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	0	0	0	0	0	0	0	n/a
Total Costs	\$1,694,792	\$1,855,023	\$1,865,467	\$1,834,252	\$3,549,815	\$3,699,719	\$149,904	4.22%
General Fund	1,134,351	1,220,788	1,228,942	1,206,207	2,355,139	2,435,149	80,010	3.40%
State Special	76,292	97,110	115,471	115,700	173,402	231,171	57,769	33.32%
Federal Special	156,879	132,880	84,515	84,515	289,759	169,030	(120,729)	(41.67%)
Other	327,270	404,245	436,539	427,830	731,515	864,369	132,854	18.16%
Total Funds	\$1,694,792	\$1,855,023	\$1,865,467	\$1,834,252	\$3,549,815	\$3,699,719	\$149,904	4.22%

Program Description

The Administration Program provides supervision, administration, and coordination of the six programs in the Montana Historical Society. Program staff is responsible for the management, planning, direction, and leadership of the society. Activities include public information, payroll/personnel, fund raising, financial reporting, business management, security, building management, community outreach, historic research, historic interpretation, and the society store.

Program Highlights

Administrative Program Major Budget Highlights	
♦	The Administration Program budget increases 4 percent when compared to the 2009 biennium due primarily to statewide present law adjustments
♦	Increases in personal services are 3 percent due to a combination of reductions in FTE and increases for statewide present law adjustments
Major LFD Issues	
♦	General fund savings of \$24,000 are available
♦	General fund is increased to support pay raises previously supported by private, nonbudgeted funds

Program Narrative

The Administration Program 2011 budget is 4 percent higher when compared to the 2009 biennium budget. The overall increase to the program would have been substantially higher, but 1.95 FTE and \$118,000 in personal service appropriations were transferred to the Research Center and the Education Program.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table Administration Program						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 1,134,351	66.9%	\$ 1,228,942	65.9%	\$ 1,206,207	65.8%
01100 General Fund	1,134,351	66.9%	1,228,942	65.9%	1,206,207	65.8%
02000 Total State Special Funds	76,292	4.5%	115,471	6.2%	115,700	6.3%
02041 Mt Hist. Society Donations	76,292	4.5%	115,471	6.2%	115,700	6.3%
03000 Total Federal Special Funds	156,879	9.3%	84,515	4.5%	84,515	4.6%
03021 Historic Sites Preservation	156,879	9.3%	84,515	4.5%	84,515	4.6%
06000 Total Proprietary Funds	327,270	19.3%	436,539	23.4%	427,830	23.3%
06071 Merchandise - Historical Soc	261,485	15.4%	301,088	16.1%	301,088	16.4%
06073 Historical Society Management	65,785	3.9%	135,451	7.3%	126,742	6.9%
Grand Total	\$ 1,694,792	100.0%	\$ 1,865,467	100.0%	\$ 1,834,252	100.0%

The program is funded with a combination of general fund, state special revenue funds from donations, federal funds generate through indirect cost recoveries, and proprietary funds from museum entrance fees and merchandise sales.

LFD ISSUE

General fund savings available in the Administration Program

Review of the federal special revenues for the Administration Program shows the revenues proposed by the executive are lower than LFD estimates of the indirect cost recoveries generating the federal revenues. The amount of the indirect cost recoveries is based on two components – the federal grant amount and the indirect cost rate. In FY 2010 and FY 2011 both components of the rate change resulting in less federal indirect cost revenues. The executive proposes reducing the federal revenue supporting this program below the amount of indirect costs which will be generated from the federal grant. Figure 2 shows the grant amount for FY 2010 and FY 2011 and the resulting indirect costs generated for the Administration Program.

Option:

Increase federal revenues supporting the Administration Program \$24,209 in each year of the biennium and reduce general fund by the same amount

Figure 2
Montana Historical Society
Federal Indirect Cost Recoveries

	FY 2010	FY 2011
Total grant revenues	\$668,000	\$668,000
Grants		
Cities and towns	82,500	82,500
University of Montana	25,000	25,000
Historic Barns	10,000	10,000
Total Grants	117,500	117,500
Administrative expenses	\$550,500	\$550,500
Indirect costs at 19.75 percent	\$108,724	\$108,724
Indirect costs as proposed by the executive	84,515	84,515
Available for legislative appropriation	<u>\$24,209</u>	<u>\$24,209</u>

**LFD
COMMENT**

Proprietary funds – The executive proposes proprietary funding to support the Administration Program from two sources, the merchandise fund and the historical society management fund. The historical society management fund generated \$74,500 in revenues in FY 2008. The executive proposes appropriations for this funding source which match projected revenues.

The merchandise proprietary fund revenues are generated through sales in the museum store. In FY 2008 merchandise sales generated \$233,400 in revenues. Fund balance was used to provide additional support for the program. The executive proposes funding of \$301,088 and in both FY 2010 and FY 2011 from this fund. If revenues remain static over the biennium, fund balance will be needed to provide the additional proprietary support. LFD calculates the fund balance will be depleted in FY 2011 and notes that to maintain program support in future biennia will require additional funding sources.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	1,134,351	1,134,351	2,268,702	93.16%	1,694,792	1,694,792	3,389,584	91.62%
Statewide PL Adjustments	139,931	119,232	259,163	10.64%	209,065	178,141	387,206	10.47%
Other PL Adjustments	(40,580)	(40,580)	(81,160)	(3.33%)	(40,580)	(40,580)	(81,160)	(2.19%)
New Proposals	(4,760)	(6,796)	(11,556)	(0.47%)	2,190	1,899	4,089	0.11%
Total Budget	\$1,228,942	\$1,206,207	\$2,435,149		\$1,865,467	\$1,834,252	\$3,699,719	

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----						-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					114,543					116,615
Vacancy Savings					(40,819)					(40,902)
Inflation/Deflation					486					500
Fixed Costs					134,855					101,928
Total Statewide Present Law Adjustments					\$209,065 *	\$178,141 *				
DP 5 - Pgm 01 Correct Duplicate Budget Entry	0.00	(40,580)	0	0	(40,580)	0.00	(40,580)	0	0	(40,580)
Total Other Present Law Adjustments										
	0.00	(\$40,580)	\$0	\$0	(\$40,580)	0.00	(\$40,580)	\$0	\$0	(\$40,580)
Grand Total All Present Law Adjustments					\$168,485	\$137,561				

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** – As of October 2008, the Administrative Program estimates employees will be at 96 percent of

the 2008 market survey, after implementing the HB 13 pay adjustments. This is below the agencies target of 106 percent of market.

- o **Vacancy** – The program had few vacant positions and does not have recruitment and retention issues.
- o **Legislatively applied vacancy savings** – The program was able to attain the legislatively applied vacancy levels using current appropriations and vacancies
- o **Pay Changes** – Market adjustment outside of the increases included in HB 13 were granted to the majority of the staff in this program. About 46 percent of the costs increases in FY 2009 were outside of HB 13. The Administration Program funded these increases by holding vacant positions open and utilizing private, non-budgeted funds.

LFD COMMENT

General fund increased to support pay raises previously supported by private, nonbudgeted funds

The Administration Program used private funds from its non-budgeted state special revenue account to fund ongoing personal service costs, including pay raises above the pay plan amount. It is unclear if the funds would be available for ongoing support of the pay increases. The Governor has replaced a portion of the increases with general fund, and they are included in the ongoing budget. Personal services costs for this program increased 11.4 percent compared to the budgeted personal service costs for the 17.79 FTE in the 2009 biennium

Option: Reduce MSH funding for personal service costs by the amount of the pay raises previously supported by private funds.

- o **Retirements** – The program anticipates one retirement in the 2011 biennium. Program impacts are anticipated if the position must remain open for a period of time to fulfill legislatively applied vacancy savings.

DP 5 - Pgm 01 Correct Duplicate Budget Entry - The Historical Society moved personal services authority into the operating expense category in the FY 2008 base year. The personal services authority was restored in the base personal services calculations and also in the operating base authority. This request removes \$40,580 general fund from the operating expense category for each year of the 2011 biennium so the authority does not appear in both categories.

New Proposals

New Proposals										
Program	FTE	Fiscal 2010				FTE	Fiscal 2011			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 20 - Pgm 01 Align Funding										
01	0.00	(6,950)	2,249	(64,197)	0 *	0.00	(8,695)	2,258	(59,723)	0 *
DP 6101 - Fixed Cost Workers Comp Mgmt Pgm										
01	0.00	2,190	0	0	2,190	0.00	1,899	0	0	1,899
Total	0.00	(\$4,760)	\$2,249	(\$64,197)	\$2,190 *	0.00	(\$6,796)	\$2,258	(\$59,723)	\$1,899 *

DP 20 - Pgm 01 Align Funding - The Historical Society requests changes in funding of \$71,147 in FY 2010 and \$68,418 in FY 2011 from general fund and federal funds to state special and proprietary funds in order to align projected revenues with projected expenditures for the 2011 biennium.

LFD COMMENT

The decision package includes a reduction in federal funds discussed as a LFD Issue in the funding section. The amount of the funding shifts proposed by the executive may change depending on the legislature's decision to increase the federal special revenues supporting this program.

DP 6101 - Fixed Cost Workers Comp Mgmt Pgm - The Workers' Compensation Management Program at the Department of Administration was funded by the 2007 Legislature with a one-time-only (OTO) general fund appropriation. For the 2011 biennium and beyond, the executive proposes the program be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. Therefore, the allocation cannot be included as part of the standard present law fixed cost process.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	15.75	15.75	15.75	15.75	15.75	15.75	0.00	0.00%
Personal Services	733,129	795,085	819,858	822,739	1,528,214	1,642,597	114,383	7.48%
Operating Expenses	149,090	122,485	147,461	147,503	271,575	294,964	23,389	8.61%
Equipment & Intangible Assets	18,150	8,904	16,166	16,961	27,054	33,127	6,073	22.45%
Benefits & Claims	0	0	0	0	0	0	0	n/a
Total Costs	\$900,369	\$926,474	\$983,485	\$987,203	\$1,826,843	\$1,970,688	\$143,845	7.87%
General Fund	842,871	847,728	883,502	888,217	1,690,599	1,771,719	81,120	4.80%
State Special	0	2,624	0	0	2,624	0	(2,624)	(100.00%)
Federal Special	0	0	0	0	0	0	0	n/a
Other	57,498	76,122	99,983	98,986	133,620	198,969	65,349	48.91%
Total Funds	\$900,369	\$926,474	\$983,485	\$987,203	\$1,826,843	\$1,970,688	\$143,845	7.87%

Program Description

The Research Center Program consists of the library, archives, and photograph archives functions. This program acquires, organizes, preserves, makes accessible to the public, and assists researchers with, published materials, historic records and manuscripts, photographs and related media, and oral histories illustrative of the history of Montana and the surrounding region. By statute, this program houses the official archives of the state.

Program Highlights

Research Center Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Research Center Program 2011 budget increases 8 percent when compared to the 2009 biennium, primarily due to statewide present law adjustments ◆ Proprietary fund supports the majority of the increases
Major LFD Issues
<ul style="list-style-type: none"> ◆ Proprietary funds are over appropriated by \$18,000 ◆ Program goals do not have measurable time-bound objectives

Program Narrative

The Research Center budget increases 8 percent between the 2009 biennium and the 2011 biennium. As shown in the table above, the majority of the expenditures related to this program are generated from FTE. As part of the overall reorganization of the MHS, an FTE was reclassified and moved to this program. The position was a cashier (0.75 FTE) in the Administration Program and is now an archivist (1.00 FTE) in this program.

2009 Biennium Major Goals

The following provides an update of the major goals monitored by the Legislative Finance Committee (LFC) during the 2009 interim. The LFC monitored the overall agency goal to preserve and make publicly accessible the heritage

resources of the State of Montana. The measurable objectives selected for the Research Center was that the number of processed archival collections available to the public through the Montana Shared Catalog will be increased from 92 percent to 94 percent. This percentage equates to 60 collections each year of the biennium.

Status

As of August 2008, the number of processed archival collections available to the public through the Montana Shared Catalog increased from 91.55 percent to 92.25 percent. The Research Center indicates it is on track to meet the performance measurement target by the end of the 2009 biennium.

2011 Biennium Major Goals

The Research Center is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Identified significant goals are:

- Assist the public in the use of the collections
- Make the collection accessible and useful to the public

LFD ISSUE

Research Center objectives are not measurable or time-bound for the 2011 biennium

The objectives submitted by the Research Center do not include measurements or dates for achievement. For example, to measure the goal to make the collections accessible and useful to the public the Research Center will use the following objectives:

- Add records for all new acquisitions to the Montana Shared Catalog – FY 2008 baseline 3,966 new acquisitions added
- Add finding aids for processed archival collections to the Northwest Digital Archives online database – FY 2008 baseline 53 finding aids added
- Organize and catalog archives and photograph archives collections to make them more accessible – FY 2008 organized and cataloged 41 archival collections and 8,301 images

As shown above, none of the objectives include a measurement which will be achieved in the 2011 biennium, nor the dates by which they will be achieved. Specific measurements or targets enhance the legislature's understanding of the need for increases or decreases to appropriations relative to the program goals. Such items include:

- Does the Research Center anticipate it will be able to increase the number of archival collections added to the Montana Shared Catalog another 2 percent in the 2011 biennium with the current staff and resources?
- What efficiencies will result when the Research Center achieves 100 percent of the collections on the Montana Shared Catalog?
- How many new acquisitions are supported by the proposed budget?
- How does the addition of the additional archivist and the associated increased general fund support proposed in the budget affect the program's goal to make the collections accessible and useful to the public?

The legislature may wish to discuss with the Research Center appropriate measurable and time-bound objectives.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table						
Research Center						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 842,871	93.6%	\$ 883,502	89.8%	\$ 888,217	90.0%
01100 General Fund	842,871	93.6%	883,502	89.8%	888,217	90.0%
06000 Total Proprietary Funds	57,498	6.4%	99,983	10.2%	98,986	10.0%
06072 Misc Enterprise-Historical Soc	22,680	2.5%	44,173	4.5%	44,173	4.5%
06076 Mhs Library Enterprise Funds	34,818	3.9%	55,810	5.7%	54,813	5.6%
Grand Total	\$ 900,369	100.0%	\$ 983,485	100.0%	\$ 987,203	100.0%

The program is funded through a combination of general fund and proprietary funds. Proprietary funds are generated through the sale of photographs, photocopies, and fees charged for research time spent by staff on public requests. Funding provided by the library enterprise funds proposed by the executive is decreased from 6.39 percent in the FY 2008 base budget to 5.75 percent and 5.66 percent of the funding in the FY 2010 and FY 2011, respectively.

LFD ISSUE

The executive proposes overappropriating the proprietary fund by \$18,900

The Research Center has two proprietary funds. The executive is proposing appropriations to fund the Research Center from both funds. Figure 3 shows the fund balances for the two funds from FY 2004 through FY 2008 and the projected fund balances for FY 2009 through FY 2011 based on appropriations and revenues recorded in FY 2008. The appropriations in the MHS library enterprise fund have been higher than the revenues received, decreasing the amount of fund balance. In FY 2010 and FY 2011 the executive proposes matching revenues to expenditures in this fund, thereby ensuring significant fund balance does not accumulate in this fund.

As can be seen, appropriations in the MHS photo archives enterprise fund have historically been less than the revenue generated by the fund, allowing for a significant fund balance to develop. The executive proposes aligning the revenues with the expenditures in this fund by increasing the proprietary appropriations funded through the MHS photo archives enterprise funds over the biennium. In addition, the executive proposes appropriating an additional \$77,000 over the biennium from the fund balance in the MHS photo archives enterprise

funds. This will eliminate the fund balance in this fund and over appropriate the fund by approximately \$18,900 in FY 2011. The legislature may wish to consider the amount of proprietary funds appropriated to the Research Center. The fund balance in the MHS photo archives will not be available to maintain program support in future biennia.

Options:

- Lower costs in the Research Center program by \$18,900 over the biennium to ensure the MHS photo archives fund is not overappropriated
- Increase general fund support by \$18,900 and reduce other appropriations by the same amount to provide adequate support for the proposed costs

Figure 3								
Montana Historical Society								
Research Center								
Proprietary Funds								
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
<u>MHS Photo Archives Enterprise</u>								
Beginning Fund Balance	\$24,210	\$10,566	\$16,043	\$16,131	\$43,905	\$58,182	\$58,182	\$19,075
Revenues	30,563	41,204	35,360	39,408	36,738	36,726	36,738	36,738
Expenditures	44,207	35,727	35,272	11,634	22,461	36,726	75,845	74,754
Ending Fund Balance	<u>\$10,566</u>	<u>\$16,043</u>	<u>\$16,131</u>	<u>\$43,905</u>	<u>\$58,182</u>	<u>\$58,182</u>	<u>\$19,075</u>	<u>(\$18,941)</u>
<u>MHS Library Enterprise Funds</u>								
Beginning Fund Balance	\$16,504	\$11,746	\$7,030	\$5,722	\$9,011	\$722	\$722	\$3,192
Revenues	25,236	28,140	30,614	30,297	26,608	26,608	26,608	26,608
Expenditures	30,870	32,856	31,923	27,008	34,896	26,608	24,138	24,232
Nonbudgeted Activities	876	0	0	0	0	0	0	0
Ending Fund Balance	<u>\$11,746</u>	<u>\$7,030</u>	<u>\$5,722</u>	<u>\$9,011</u>	<u>\$722</u>	<u>\$722</u>	<u>\$3,192</u>	<u>\$5,568</u>

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	842,871	842,871	1,685,742	95.15%	900,369	900,369	1,800,738	91.38%
Statewide PL Adjustments	43,954	48,669	92,623	5.23%	88,454	92,172	180,626	9.17%
Other PL Adjustments	(3,323)	(3,323)	(6,646)	(0.38%)	(5,338)	(5,338)	(10,676)	(0.54%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$883,502	\$888,217	\$1,771,719		\$983,485	\$987,203	\$1,970,688	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
	-----Fiscal 2010-----					-----Fiscal 2011-----			
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special
Personal Services					120,888				
Vacancy Savings					(34,159)				
Inflation/Deflation					386				
Inflation/Deflation					1,339				
Total Statewide Present Law Adjustments					\$88,454 *				
DP 6 - Pgm 02 Correct Duplicate Budget Entry	0.00	(3,323)	0	0	(5,338)*	0.00	(3,323)	0	0
Total Other Present Law Adjustments	0.00	(\$3,323)	\$0	\$0	(\$5,338)*	0.00	(\$3,323)	\$0	\$0
Grand Total All Present Law Adjustments					\$83,116 *				

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** – As of October 2008, the Research Center estimates employees will be at 100 percent of the 2008 market survey which is below the agency target of 106 percent.
- o **Vacancy** – The Research Center did not have vacancies in the 2009 biennium and does not have positions which have long-term or frequent vacancies.
- o **Legislatively applied vacancy savings** - During the 2009 biennium, the Research Center left the few positions where vacancies occurred open until the legislatively applied vacancy savings was reached.
- o **Pay Changes** – Market adjustments outside of the increases included in HB 13 were granted to the majority of the staff. The Research Program funded these increases by holding vacant positions open or by utilizing private, non-budgeted funds.

**LFD
ISSUE**

Private, non-budgeted funds provided pay raises in FY 2008 which require general fund support in 2011 biennium

The Research Center Program used private funds from its non-budgeted state special revenue account to fund ongoing personal service costs, including pay raises above the pay plan amount. It is unclear if the funds would be available for ongoing support of the pay increases. The Governor has replaced a portion of the increases with general fund, and they are included in the ongoing budget. Personal service costs for this program increased 14.5 percent compared to the budgeted personal services costs for the program in the 2009 biennium.

The legislature may wish to discuss with the Research Program the percentage of the almost \$130,000 increase in personal services supported by private, non-budgeted funds in the 2009 biennium and the rationale for using funds which do not provide continuing support for pay increases.

Option:

- o Reduce MSH funding for personal service costs by the amount of the pay raises previously supported by private funds

- o **Retirements** - The Research Program estimates that one staff may retire in the next biennium. As the program does not have difficulty with retention and recruitment, retirements do not appear to be an issue for this program.

**LFD
ISSUE**

Executive proposes funding switch in statewide present law adjustments

The personal services expenditures associated with the cashier position was funded by the 2007 Legislature using a combination of general fund, state and federal special revenues, and proprietary funds. The personal services in this program are supported by a higher percentage of general fund, no state or federal revenues, and significantly less proprietary funding than was provided in the Administration Program. Thus, moving the FTE into this program has increased the amount of general fund needed to fund personal services in the Research Center. In addition, the reclassification from the cashier to the archivist and increasing the position from 0.75 FTE to 1.00 FTE increases the personal service costs associated with the position by about 39 percent, further increasing personal service costs supported by the general fund.

The changes discussed above are included as part of the statewide present law adjustments for the agency. As this appears to be a funding switch related to personal services, the legislature may wish to request a separate decision package on the changes associated with moving, increasing, and reclassifying the FTE. Separating the decision on funding the move of the FTE to this program allows the legislature to determine its support for the associated increased costs to the general fund.

Options:

- o Reduce personal service costs and the related general fund by the costs of the transferred FTE
- o Approve the funding switch as proposed by the executive

DP 6 - Pgm 02 Correct Duplicate Budget Entry - The Historical Society moved personal services authority into the operating expense category in the FY 2008 base year. The personal services authority was restored in the base personal services calculations and also in the operating base authority. This request removes \$5,338 general fund from the operating expense category for each year of the 2011 biennium so the authority does not appear in both categories.

New Proposals

New Proposals										
-----Fiscal 2010-----						-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 25 - Pgm 02 Align Funding										
02	0.00	0	0	0	0	0.00	0	0	0	0
Total	0.00	\$0	\$0	\$0	\$0 *	0.00	\$0	\$0	\$0	\$0 *

DP 25 - Pgm 02 Align Funding - The Historical Society requests changes between proprietary funds of \$20,035 in FY 2010 and \$19,941 in FY 2011 to align projected revenues with projected expenditures for the 2011 biennium.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	9.00	9.00	9.00	9.00	9.00	9.00	0.00	0.00%
Personal Services	312,439	260,384	406,476	404,020	572,823	810,496	237,673	41.49%
Operating Expenses	19,494	(1,046)	10,000	10,000	18,448	20,000	1,552	8.41%
Equipment & Intangible Assets	10,748	0	0	0	10,748	0	(10,748)	(100.00%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Total Costs	\$342,681	\$259,338	\$416,476	\$414,020	\$602,019	\$830,496	\$228,477	37.95%
General Fund	279,893	209,490	319,525	323,770	489,383	643,295	153,912	31.45%
State Special	0	41,548	25,000	25,000	41,548	50,000	8,452	20.34%
Federal Special	0	0	0	0	0	0	0	n/a
Other	62,788	8,300	71,951	65,250	71,088	137,201	66,113	93.00%
Total Funds	\$342,681	\$259,338	\$416,476	\$414,020	\$602,019	\$830,496	\$228,477	37.95%

Program Description

The Museum Program collects, preserves, and interprets the history of Montana through its material culture, collecting fine arts and historical, archaeological, and ethnological artifacts from Montana and the general geographic region. The program interprets its collections through exhibits, tours, and traveling exhibits. The program also coordinates with the society's Education Program to orchestrate events, programs, and materials on Montana history for learners of all ages.

Program Highlights

Museum Program Major Budget Highlights	
♦	The Museum Program 2011 biennium budget increases 37.95 percent when compared to the 2009 biennium due in part to changes in funding personal services
♦	The executive proposes reducing present law costs needed to support the Museum Program operations
Major LFD Issues	
♦	Museum Program's operations are underfunded by \$84,535
♦	Private non-budgeted funds provided pay raises in FY 2008 which require general fund support in 2011 biennium
♦	Museum Program objectives do not include measures and are not time-bound for the 2011 biennium

Program Narrative

The Museum Program FY 2011 biennium budget increases 37.95 percent over the FY 2009 biennium in spite of FTE reductions. In the 2009 biennium a portion of personal services was supported using lodging use facility taxes which is now proposed to be supported by other appropriated funding in the program's budget. This is reflected as part of the large increase in personal service costs in the 2011 biennium.

**LFD
COMMENT**

As discussed in the agency section, MHS received lodging use facility taxes from the Department of Commerce to support historical interpretation and museum operations in FY 2009. The Museum Program used the provided funds to support its operating costs. The operating costs and related funding transferred to MHS are not included in the FY 2008 base budget, and as such are not in the proposed budget for FY 2010 and FY 2011. Should the legislature decline to either change the statutory appropriations of the Lodging Facility Use Taxes or request that the LFD include narrative in the fiscal report outlining the legislature's intent to have the Department of Commerce transfer lodging use facility taxes to MHS, the program operations will be underfunded by \$381,061 in FY 2010 and \$393,758 in FY 2011.

As part of the overall reorganization of the MHS, the Museum Program transferred 3.85 FTE to the Education Program. Transfers include:

- 1.00 FTE Instructional Coordinator
- 0.50 FTE Administrative Assistant
- 0.50 FTE Administrative Assistant
- 0.85 FTE Tour Guide
- 0.50 FTE Tour Guide
- 0.50 FTE Not Yet Classified

In addition, the program transferred \$310,392 in general fund appropriation authority to support personal service expenditures associated with the transfers.

**LFD
COMMENT**

The legislature approved 1.30 FTE and \$106,000 in general fund to provide for museum progress on the goal of having the museum collection cataloged into the museum software program and to assist implementation on compliance with policies governing the management of its collections to ensure all artifacts are properly controlled. The legislature approved the funding so that the Museum Program could inventory the collection ensuring it knows what it has, where it is located, and if anything is missing.

The last full inventory of the collection was completed in 1985. The last three legislative audit reports, including the report issued in November 2008, have expressed concern with controls over the collection. According to the audit report, the museum has over 50,000 historical artifacts in its collection, currently valued at \$58.4 million, and receives between 250 and 1,500 new artifacts each year. The lack of a complete inventory process increases the possibility the items could be lost or stolen without detection by the program.

2.15 FTE of the 11.15 FTE approved by the 2007 Legislature were transferred into other programs during MSH reorganization. It is unclear if the reorganization resulted in fewer positions available to inventory the collections and contributed to the continued audit finding in relation to the museum's collection.

2009 Biennium Major Goals

The following provides an update of the major goals monitored by the Legislative Finance Committee (LFC) during the 2009 interim.

The LFC monitored the overall agency goal to preserve and make publically accessible the heritage resources of the State of Montana. The measurable objective selected for the Museum Program was that the number of artifacts entered into the PastPerfect database would increase from 47 percent to 52 percent. The measurable objective directly related to the inventory of the museum collections.

Success

As of August 2008, the number of artifacts entered into the database was 29,417 or 53.97 percent of the MHS collection.

2011 Biennium Major Goals

The Museum Program is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Identified significant goals are:

- Preservation of art and artifacts held in trust for the public by the museum through collections care, collections management, preservation efforts, and conservation project.
- Provide quality exhibits and educational programming for our statewide and national audiences at Montana's Museum, the Original Governor's Mansion, and the State Capitol

LFD ISSUE

Museum Program objectives do not include measures and are not time-bound for the 2011 biennium

The objectives submitted by the Museum Program do not include measurements or dates for achievement. For example, the goal to preserve the art and artifacts held in trust for the public through collections care, collections management, preservation efforts, and conservation projects has to have measurable objectives:

- Continual – part of daily curatorial work
- Track specific projects annually

As shown above, no measurements or dates are included. The continual daily curatorial work would include ensuring the museum's collections are entered onto the inventory database. In the 2009 biennium, the program exceeded its anticipated percentage of the collection entered onto the database, using less resources than previously identified for the project, and 10 months ahead of schedule. One measurement the program could provide for this biennium is the anticipated percentage of the collection which will be entered onto the database. Another measurement might be the percentage of the collection the curators anticipate inventorying. The legislature may also be interested in knowing the anticipated number of new exhibits, new acquisitions for the collection, or the objectives relating to the conservation projects.

The legislature is being asked to appropriate \$0.9 million to support this program in the 2011 biennium.

Option: The legislature may wish to discuss with Research Center Program how it can provide measurable and time-bound objectives to its goal in the 2011 biennium.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table						
Museum Program						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 279,893	81.7%	\$ 319,525	76.7%	\$ 323,770	78.2%
01100 General Fund	279,893	81.7%	319,525	76.7%	323,770	78.2%
02000 Total State Special Funds	-	-	25,000	6.0%	25,000	6.0%
02045 Orig Gov'S Mansion Restoration	-	-	25,000	6.0%	25,000	6.0%
06000 Total Proprietary Funds	62,788	18.3%	71,951	17.3%	65,250	15.8%
06077 Mhs Museum Enterprise Funds	62,788	18.3%	71,951	17.3%	65,250	15.8%
Grand Total	\$ 342,681	100.0%	\$ 416,476	100.0%	\$ 414,020	100.0%

The Museum Program is funded through a combination of general fund, state special revenue from undesignated donations at the Original Governor's Mansion, and proprietary funds generated through the sales of books, copies, photographs, and the rental of traveling exhibits.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	279,893	279,893	559,786	87.02%	342,681	342,681	685,362	82.52%
Statewide PL Adjustments	57,354	58,399	115,753	17.99%	109,399	110,678	220,077	26.50%
Other PL Adjustments	(20,204)	(20,204)	(40,408)	(6.28%)	4,796	4,796	9,592	1.15%
New Proposals	2,482	5,682	8,164	1.27%	(40,400)	(44,135)	(84,535)	(10.18%)
Total Budget	\$319,525	\$323,770	\$643,295		\$416,476	\$414,020	\$830,496	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					126,677					127,978
Vacancy Savings					(17,565)					(17,617)
Inflation/Deflation					67					97
Fixed Costs					220					220
Total Statewide Present Law Adjustments					\$109,399 *					\$110,678 *
DP 3 - Original Gov Mansion Restoration	0.00	0	25,000	0	25,000	0.00	0	25,000	0	25,000
DP 7 - Pgm 03 Correct Duplicate Budget Entry	0.00	(20,204)	0	0	(20,204)	0.00	(20,204)	0	0	(20,204)
Total Other Present Law Adjustments	0.00	(\$20,204)	\$25,000	\$0	\$4,796	0.00	(\$20,204)	\$25,000	\$0	\$4,796
Grand Total All Present Law Adjustments					\$114,195					\$115,474

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Market Rate** - As of October 2008, the Museum Program estimates employees will be at 82 percent of the 2008 market survey after implementing HB 13 pay adjustments. This is below the agency target of 106 percent.
- **Vacancy** - The Museum Program experienced 25 percent vacancies through out the 2008 biennium. The positions were left open to achieve the legislatively applied vacancy savings rate and to provide for pay changes.
- **Legislatively applied vacancy savings** - Positions were left vacant until the legislatively applied vacancy savings rate was achieved.
- **Pay Changes** - The Museum Program funded pay changes given outside of HB 13 by holding vacant positions open and utilizing private, non-budgeted funds.

**LFD
ISSUE**

Private, non-budgeted funds provided pay raises in FY 2008 which require general fund support in the 2011 biennium

The Museum Program used private funds from its non-budgeted state special revenue account to fund ongoing personal service costs including pay raises above the pay plan amount. It is unclear if the funds would be available for ongoing support of the pay increases. The Governor has replaced a portion of the increases with general fund, and they are included in the ongoing budget. Personal service costs for this program increased 25.8 percent compared to the budgeted personal services costs for the program in the 2009 biennium. The legislature may wish to discuss with the Museum Program the percentage of the almost \$254,500 increase in personal services previously supported by private, non-budgeted funds in the 2009 biennium and the rationale for using funds which do not provide continuing support for pay increases.

Option: Reduce MSH funding for personal service costs by the amount of the pay raises previously supported by private funds.

- **Retirements** – The program does not anticipate any retirements in the 2011 biennium.

DP 3 - Original Gov Mansion Restoration - This request is for \$25,000 state special revenue in the 2011 biennium for restoration work at the Original Governor's Mansion (OGM). This request will include expending resources in the fund and donations from the OGM Board for refurbishing the OGM carriage house.

DP 7 - Pgm 03 Correct Duplicate Budget Entry - The Historical Society moved personal services authority into the operating expense category in the FY 2008 base year. The personal services authority was restored in the base personal services calculations and also in the operating base authority. This removes \$20,204 in general fund from the operating expense category for each year of the 2011 biennium so the authority does not appear in both categories.

New Proposals

New Proposals										
Program	FTE	Fiscal 2010				FTE	Fiscal 2011			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 21 - Pgm 03 Align Funding										
03	0.00	2,482	0	0	(40,400)*	0.00	5,682	0	0	(44,135)*
Total	0.00	\$2,482	\$0	\$0	(\$40,400)*	0.00	\$5,682	\$0	\$0	(\$44,135)*

DP 21 - Pgm 03 Align Funding - The Historical Society requests changes in funding of \$40,400 in FY 2010 and \$44,135 in FY 2011 from proprietary funds to general fund and state special funds in order to align projected revenues with projected expenditures for the 2011 biennium.

**LFD
ISSUE**

Because the executive over appropriated anticipated proprietary funds, through this decision package, the Governor proposes to reduce the present law costs needed to support the operations of this program. Overall reductions include:

- Personal service costs, \$15,075 in FY 2010 and \$18,780 in FY 2011
- Operating expenses, \$14,577 in FY 2010 and \$14,607 in FY 2011
- Equipment, \$10,748 in FY 2010 and \$10,748 in FY 2011

Without these reductions the program is underfunded by a total of \$84,535 over the biennium.

Options include:

- Approve the executive's decision to reduce program support by \$84,535
- Provide an additional appropriation of \$84,535 in general fund to fully support the present law budget

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00%
Personal Services	188,373	328,011	219,639	220,055	516,384	439,694	(76,690)	(14.85%)
Operating Expenses	201,420	175,684	174,819	175,722	377,104	350,541	(26,563)	(7.04%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	50,503	50,503	50,503	50,503	101,006	101,006	0	0.00%
Total Costs	\$440,296	\$554,198	\$444,961	\$446,280	\$994,494	\$891,241	(\$103,253)	(10.38%)
General Fund	92,401	93,932	98,830	99,107	186,333	197,937	11,604	6.23%
State Special	0	0	0	0	0	0	0	n/a
Federal Special	0	0	0	0	0	0	0	n/a
Other	347,895	460,266	346,131	347,173	808,161	693,304	(114,857)	(14.21%)
Total Funds	\$440,296	\$554,198	\$444,961	\$446,280	\$994,494	\$891,241	(\$103,253)	(10.38%)

Program Description

The Publications Program promotes the study of Montana history and education through lectures, publications, and curriculum materials. The program publishes quarterly editions of the award-winning *Montana The Magazine of Western History* and the *Montana Star*, official newsletter of the society. It also publishes books under the Montana Historical Society Press imprint.

Program Highlights

Publications Program Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Publications Program FY 2011 biennium budget decreases about \$103,000 due to FTE reductions ◆ Reductions are offset by statewide present law adjustments
Major LFD Issues
<ul style="list-style-type: none"> ◆ Proprietary funds can be used to offset \$197,937 general fund over the biennium ◆ Objectives do not include specific measurements to determine progress over the biennium

Program Narrative

Publications Program costs decrease by 10.4 percent in the 2011 biennium when compared to the 2009 biennium. The Publications Program reduced 1.75 FTE in the agency reorganization. The FTE were transferred to the Education and Museum Programs, and the Research Center. Subsequent to the reductions, the program requested 1.25 modified FTE for editing and design work. The modified FTE are supported by proprietary funds.

**LFD
ISSUE**

Proprietary funds can be used to offset \$197,937 general fund over the biennium

The 2007 Legislature approved increased general fund support of \$84,866 for the Western History Magazine to offset personal services costs for an editor and business manager and to assist in paying the increased costs in salaries for these positions. The program reduced FTE in this program by 1.75 but did not transfer the associated \$154,378 of personal services budget authority the legislature provided to support FTE. This FTE was supported by proprietary funds. Since the program did not transfer the funding, the proprietary funding could have been used to reduce general fund personal service costs of \$92,401 in FY 2008. The executive proposes maintaining the base percentages of proprietary funds and general fund to support the personal services in this program. The proprietary fund can support the entire amount of the personal services in this program.

Option: The legislature may wish to reduce general fund by \$197,937 over the biennium and increase proprietary funds by the same amount.

**LFD
ISSUE**

Program Costs Could Be Budgeted More Accurately

If the legislature determines it will keep supporting the program with general fund, it may wish to consider the executive's proposal for personal services costs and transfers supported by general fund. Of the \$98,830 and \$99,107 general fund budgeted in FY 2010 and FY 2011 respectively, \$50,503 is budgeted to support an expenditure category, "transfer of an appropriated fund". This expenditure category does not provide information to the agency or the legislature on the use of the funds.

According to MHS accounting staff, when the general fund was first provided to the program it was recorded in this manner and the agency has continued it rather than record the costs as personal services. The \$50,503 would be more accurately recorded as personal services costs. The personal services of the magazine are budgeted at \$219,639 and \$220,055 in FY 2010 and FY 2011, respectively. The actual costs are approximately \$50,503 higher each year.

Option: To more accurately reflect program costs, the legislature may wish to consider eliminating "budgeted transfers" and increase personal service costs.

2009 Biennium Major Goals

The following provides an update of the major goals monitored by the Legislative Finance Committee (LFC) during the 2009 interim.

The LFC monitored the overall agency goal to preserve and make publicly accessible the heritage resources of the State of Montana. The Publications Program was not included as part of this project

2011 Major Biennium Goals

The Publications Program is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The identified significant goal is to continue publication and distribution of Montana The Magazine of Western History, the state's award winning quarterly history journal and the only one of its kind, for readers throughout Montana, in all 50 states, and 17 foreign countries.

**LFD
ISSUE**

Publications Program objectives do not include specific measures for the 2011 biennium

The objectives submitted by the Publications Program do not include specific measurements to achieve. For example, the goal to continue to publication and distribution of Montana, The Magazine of Western History lists the following as an objective:

- This objective can be measured by the quarterly – Spring, Summer, Autumn, and Winter – appearance of the magazine in mailboxes and on newsstands

As shown above, specific measurements are not included. The objective does not include the overall number of magazines it estimates it will publish each quarter. Nor does it include the baseline numbers from FY 2008. The measurements could be used to compare the baseline to the projected magazine publications issued in the 2011 biennium. This allows the legislature to determine if the publications program workload, as it relates to the magazine, will be increasing, decreasing, or staying stable. This information can assist the legislature in a determination of the reasonableness of the staffing reductions.

Option: The legislature is being asked to appropriate \$0.9 million to support this program over the 2011 biennium. The legislature may wish to discuss with the Publications Program how it can provide specific measurements for its objectives.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table Publications Program						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 92,401	21.0%	\$ 98,830	22.2%	\$ 99,107	22.2%
01100 General Fund	92,401	21.0%	98,830	22.2%	99,107	22.2%
06000 Total Proprietary Funds	347,895	79.0%	346,131	77.8%	347,173	77.8%
06002 Mhs Publications Enterprise	347,895	79.0%	346,131	77.8%	347,173	77.8%
Grand Total	\$ 440,296	100.0%	\$ 444,961	100.0%	\$ 446,280	100.0%

The program is funded with a combination of general fund and proprietary funds. The general fund pays a portion of 2.00 FTE, the program manager and an editor, involved in publishing Montana the Magazine of Western History. Proprietary funds are generated through subscription sales for the magazine and sales of books published by the program.

**LFD
COMMENT**

The proprietary funds in the Publications Program had a fund balance of \$159,961 at FYE 2008. A fund balance of \$356,160 was recorded in the account at FYE 1999. The fund balance in the account has declined over the period between FY 2000 and FY 2008 as costs have been higher than revenues. The fund balance is available for support of the program above the projected proprietary revenues. However, current operations appear to be unsustainable in future biennia.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	92,401	92,401	184,802	93.36%	440,296	440,296	880,592	98.81%
Statewide PL Adjustments	6,429	6,706	13,135	6.64%	30,634	31,953	62,587	7.02%
Other PL Adjustments	0	0	0	0.00%	(25,969)	(25,969)	(51,938)	(5.83%)
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$98,830	\$99,107	\$197,937		\$444,961	\$446,280	\$891,241	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					40,417					40,852
Vacancy Savings					(9,151)					(9,170)
Inflation/Deflation					250					271
Fixed Costs					(882)					0
Total Statewide Present Law Adjustments					\$30,634 *					\$31,953 *
DP 8 - Pgm 04 Correct Duplicate Budget Entry	0.00	0	0	0	(25,969)*	0.00	0	0	0	(25,969)*
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	(\$25,969)*	0.00	\$0	\$0	\$0	(\$25,969)*
Grand Total All Present Law Adjustments					\$4,665 *					\$5,984 *

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** – The Publications Program projects that the market ratio for the program on October 1, 2008, after implementing the HB 13 pay adjustments, will be 91 percent of the 2008 market survey. This is lower than the overall agency target of 106 percent of the market.
- o **Vacancy** - The program experienced 16 percent vacancies in FY 2008.
- o **Legislatively applied vacancy savings** – The program used the vacancies for legislatively applied vacancy savings
- o **Pay Changes** - Pay changes given outside of HB 13 were funded using proprietary funds generated through program activities
- o **Retirements** – The program does not anticipate staff retirements in the 2011 biennium and does not have significant compensated absence liabilities associated with the retirements.

DP 8 - Pgm 04 Correct Duplicate Budget Entry - The Publications Program moved \$25,969 in personal services authority into operating authority in FY 2008 base year. The personal services authority was restored in the 2011 biennium personal services calculations and it is also included in the operating expenses authority. This removes the funding from the operating expenses for each year of the 2011 biennium.

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	5.85	5.85	5.85	5.85	5.85	5.85	0.00	0.00%
Personal Services	161,307	306,829	246,718	241,033	468,136	487,751	19,615	4.19%
Operating Expenses	16,992	62,317	7,626	7,636	79,309	15,262	(64,047)	(80.76%)
Total Costs	\$178,299	\$369,146	\$254,344	\$248,669	\$547,445	\$503,013	(\$44,432)	(8.12%)
General Fund	174,590	233,790	221,276	215,601	408,380	436,877	28,497	6.98%
State Special	2,476	132,856	0	0	135,332	0	(135,332)	(100.00%)
Federal Special	0	0	0	0	0	0	0	n/a
Other	1,233	2,500	33,068	33,068	3,733	66,136	62,403	1,671.66%
Total Funds	\$178,299	\$369,146	\$254,344	\$248,669	\$547,445	\$503,013	(\$44,432)	(8.12%)

Program Description

The Education Program is comprised of three primary divisions: Outreach and Interpretation, Historic Signs, and the Volunteer Program. The Outreach and Interpretation Program provides educational public programming of all types, both at the society's headquarters and throughout the state, for a wide range of audiences; plans and produces educational publications, curriculum materials, and instructional literature for broad distribution; plans and produces interpretive, place-based publications, articles, brochures, and tours for statewide distribution/implementation; oversees the National Register Sign Program for the State of Montana, producing interpretive signage for eligible structures and sites in all parts of the state; assists in the planning, production, and placement of non-Register signage in all parts of the state; assists in the planning, production, and distribution of interpretive permanent, temporary, and traveling exhibitions; provides reference services to the general public, teachers, students, technical users, and other like-minded institutions and organizations; and oversees the society's volunteer program, coordinating volunteers, and volunteer activities society-wide.

Program Highlights

Education Program Major Budget Highlights	
♦	The executive proposes funding the new Education Program using a combination of funds
Major LFD Issues	
♦	Objectives for the Education Program were not submitted as part of the budget as required by statute
♦	The executive proposes to reduce personal service costs included in the present law budget

Program Narrative

As part of the reorganization of the MHS, the Education Program was created in FY 2008. The agency transferred the following into the Education Program:

Figure 4
Montana Historical Society
FTE Transfers into Education Program

Program	FTE	Funding	Sources
Administration Program	1.25	\$118,064	General Fund/State Special Revenue
Museum Program	3.35	292,225	General Fund
Publications Program	0.75	0	No funding transferred to support the FE
Historical Preservation Office	1.00	89,575	General Fund
Total	6.35	\$499,864	

In addition, the statutory appropriation for sites and signs and related FTE were moved from the Administrative Program to the Education and Museum Programs.

2009 Biennium Major Goals

The following provides an update of the major goals monitored by the Legislative Finance Committee (LFC) during the 2009 interim.

The LFC monitored the overall agency goal to preserve and make publically accessible the heritage resources of the State of Montana. The measurable objective selected for the Education Program was the number of patrons reached through educational programming will increase by 3 percent, from 41,000 to 42,230.

Successes

As of August 2008, the number of patrons reached through educational programming increased by 40 percent, from 41,000 to 57,421. The increase was attributed to the Education Program increasing their outreach in regards to the footlocker project.

2011 Biennium Major Goals

The Education Program is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. The Education Program submitted one goal - provide quality educational programming for statewide and national audiences.

LFD ISSUE	Specific, measurable, time-bound objectives related to the Education Program were not submitted
	The Museum and Education Programs submitted joint goals and objectives. The measurable objectives listed do not address the Education Program. The legislature may wish to discuss with the Education Program specific, measurable, time-bound objectives.

Funding

The following table shows program funding, by source, for the base year and the 2011 biennium as recommended by the Governor.

Program Funding Table						
Education Program						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 174,590	97.9%	\$ 221,276	87.0%	\$ 215,601	86.7%
01100 General Fund	174,590	97.9%	221,276	87.0%	215,601	86.7%
02000 Total State Special Funds	2,476	1.4%	-	-	-	-
02041 Mt Hist. Society Donations	2,476	1.4%	-	-	-	-
06000 Total Proprietary Funds	1,233	0.7%	33,068	13.0%	33,068	13.3%
06022 Mhs Education Enterprise Funds	1,233	0.7%	33,068	13.0%	33,068	13.3%
Grand Total	\$ 178,299	100.0%	\$ 254,344	100.0%	\$ 248,669	100.0%

The executive proposes funding the Education Program through a combination of general fund, state special revenue funds from donations, federal grants, and proprietary funds generated from education enterprises.

**LFD
ISSUE**
State Special Revenues Over Appropriated

The state special revenue funds appropriated in this program are also appropriated in the Administrative Program. LFD has determined the appropriations in the Administration Program are approximately \$24,000 higher than received in FY 2008. Funding in this program declined 24 percent between FY 2007 and FY 2008. Given the current economic climate, appropriating an additional \$16,974 from these revenues is not supported.

If the program is to operate as proposed, additional funding appears to be required. The legislature may wish to consider if it wishes to provide full funding support for the program operations as proposed by the executive.

Options: The legislature could:

- o Lower program costs by \$16,374 over the biennium
- o Increase general fund support for the program by \$16,374 over the biennium

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	174,590	174,590	349,180	79.93%	178,299	178,299	356,598	70.89%
Statewide PL Adjustments	8,926	10,393	19,319	4.42%	125,747	128,178	253,925	50.48%
Other PL Adjustments	(9,436)	(9,436)	(18,872)	(4.32%)	(9,436)	(9,436)	(18,872)	(3.75%)
New Proposals	47,196	40,054	87,250	19.97%	(40,266)	(48,372)	(88,638)	(17.62%)
Total Budget	\$221,276	\$215,601	\$436,877		\$254,344	\$248,669	\$503,013	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----					-----Fiscal 2011-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				137,635					140,157	
Vacancy Savings				(11,958)					(12,059)	
Inflation/Deflation				70					80	
Total Statewide Present Law Adjustments				\$125,747 *					\$128,178 *	
DP 9 - Pgm 05 Correct Duplicate Budget Entry	0.00	(9,436)	0	0	(9,436)	0.00	(9,436)	0	0	(9,436)
Total Other Present Law Adjustments				0.00	(\$9,436)	\$0	\$0	(\$9,436)	0.00	(\$9,436)
Grand Total All Present Law Adjustments				\$116,311					\$118,742	

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** – As of October 2008, the Education Program estimates employees will be at 103 percent of the 2008 market survey, after implementing HB 13 pay adjustments. This is lower than the agency target of 106 percent.
- o **Vacancy** – The Education Program experienced 22.55 percent vacancies when calculated base hours are compared to actual base hours. The positions were left open to achieve legislatively applied vacancy savings and to support pay changes.
- o **Legislatively applied vacancy savings** - Positions were left vacant ensuring the legislatively applied vacancy savings amounts were attained throughout the agency. As the program was created after the legislature approved the agency's budget a specific vacancy savings target was not determined.
- o **Pay Changes** –The Education Program funded pay changes given outside of HB 13 by holding open vacant positions and utilizing private, non-budgeted funds.

LFD ISSUE

Using private, non-budgeted funds to support pay increases results in increased general fund to support the increases in the 2011 biennium.

The private non-budgeted funds are not included in the executive's proposed budget for the 2011 biennium. As this program is supported by over 50 percent general fund, the costs of the pay increases over the 2011 biennium require additional general fund. In FY 2008 over \$45,000 in private, non-budgeted funds were used to support personal services. The legislature may wish to discuss with the Education Program the percentage of the \$277,792 increase in personal services previously supported by private, non-budgeted funds in the 2009 biennium and the rationale for using funds which do not provide continuing support for pay increases. The legislature may also wish to consider if it wishes to fully fund the pay increases using state support.

- o **Retirements** - The program does not anticipate any retirements in the 2011 biennium.

DP 9 - Pgm 05 Correct Duplicate Budget Entry - The Education Program moved \$9,436 in personal services costs into operating costs in FY 2008. The personal services authority was restored in the 2011 biennium personal services calculations and it is also included in the operating expense. This removes the funding from the operating expenses for each year of the biennium.

New Proposals

New Proposals										
-----Fiscal 2010-----						-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22 - Pgm 05 Align Funding										
05	0.00	47,196	(8,453)	(85,298)	(40,266)*	0.00	40,054	(8,521)	(85,980)	(48,372)*
Total	0.00	\$47,196	(\$8,453)	(\$85,298)	(\$40,266)*	0.00	\$40,054	(\$8,521)	(\$85,980)	(\$48,372)*

DP 22 - Pgm 05 Align Funding - The Governor proposes a funding shift for the Education Program. This decision package reduces present law personal service costs by \$40,266 in FY 2010 and \$48,372 in FY 2011. The decision package also increases general fund by \$87,250, proprietary funds by \$12,364 over the biennium and decreases state and federal special revenues by \$16,974 and \$171,278, respectively.

LFD ISSUE OBPP included federal special revenues as funding for this program in the adjusted FY 2010 and FY 2011 base. The LFD has been unable to identify a grant source for the funding included in the base adjustments. The executive now proposes to eliminate this funding source and offset the reduction through present law personal costs reductions and increased general and state special revenue funding.

Options include:

- o Approve the executive's proposal to reduce personal service costs in this program by \$40,266 in FY 2010 and \$48,372 in FY 2011
- o Provide an additional appropriation of \$88,638

Program Budget Comparison

The following table summarizes the total budget requested by the Governor for the agency by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	8.75	8.75	8.75	8.75	8.75	8.75	0.00	0.00%
Personal Services	465,213	477,105	477,302	478,425	942,318	955,727	13,409	1.42%
Operating Expenses	69,515	75,912	84,360	84,751	145,427	169,111	23,684	16.29%
Grants	77,000	78,861	77,000	77,000	155,861	154,000	(1,861)	(1.19%)
Total Costs	\$611,728	\$631,878	\$638,662	\$640,176	\$1,243,606	\$1,278,838	\$35,232	2.83%
General Fund	144,247	116,020	71,017	86,325	260,267	157,342	(102,925)	(39.55%)
State Special	0	0	0	0	0	0	0	n/a
Federal Special	463,699	510,858	563,696	549,893	974,557	1,113,589	139,032	14.27%
Other	3,782	5,000	3,949	3,958	8,782	7,907	(875)	(9.96%)
Total Funds	\$611,728	\$631,878	\$638,662	\$640,176	\$1,243,606	\$1,278,838	\$35,232	2.83%

Program Description

The Historic Sites Preservation Program (State Historic Preservation Office) administers the Montana Antiquities Act (MCA 22-3-421; ARM 10.121.901) and Montana's participation in the National Historic Preservation Act of 1966, as amended, with its federal programs, guidelines, and grants-in-aid for historic preservation. Staff provide technical assistance to all Montana property owners, including agencies, organizations, and the public. Staff maintains a statewide inventory of recorded historic and archaeological sites. Staff review and comment on all proposed federally funded or permitted projects within the state to determine their effect on properties listed or eligible for listing in the National Register of Historic Places. Staff administers the National Register of Historic Places program in Montana through the state preservation review board. The office recommends certification of historic structures and rehabilitation projects for federal tax credits to citizens and businesses, as authorized by the Tax Reform Act of 1976. The program awards and administers pass-through federal grants to local governments participating in the federal Certified Local Government Program. The program may also award funds for historic survey and planning for historic areas and for bricks and mortar rehabilitation when funds are available.

Program Highlights

Historic Preservation Program Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The Historic Preservation Program's budget increases 3 percent when compared to the 2009 biennium budget <ul style="list-style-type: none"> • All increase are attributable to statewide present law adjustments ◆ Major goals for the 2011 biennium are included and objectives are measurable 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ General fund can be reduced by \$9,400 ◆ Measurable targets for the objectives appear low based on successes in the 2009 biennium 	

Program Narrative

The Historic Preservation Program budget increases almost 3 percent when compared to the 2009 biennium. The program transferred 1.00 FTE and \$89,575 in general fund to the Education Program in FY 2008. Without the transfers, the increases to the Historic Preservation Program would have been higher.

2009 Biennium Major Goals

The following provides an update of the major goals monitored by the Legislative Finance Committee (LFC) during the 2009 interim.

The LFC monitored the overall agency goal to preserve and make publically accessible the heritage resources of the State of Montana. The measurable objective selected for the Historic Preservation Program was a 4 percent increased (2,000 over the biennium) in the total number of inventoried historic and archaeological properties eligible for preservation by agencies and the public.

Status

As of August 2008, the number of newly recorded historic and archeological properties added to the database increased by 2.4 percent. In addition, 419 existing property records were updated with new information. The LFC Subcommittee on Education considered this measurement on track to succeed by June 2009.

2011 Biennium Major Goals

The Historic Preservation Program is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Identified significant goals are:

- Maintain and add to statewide inventory of locations of survey and of known recorded historic and archaeological properties in Montana
- Assist and provide funding support, as available, for state and local preservation projects and initiatives, including survey and identification, brick-and-mortar restoration, planning, promotion, education, training, and interpretation

The Historic Preservation Program proposes measuring the second goal by securing and distributing at least \$200,000 in federal, state, and private funding support over the biennium to state and local agencies, organizations and individuals for successful historic preservation projects and programs.

LFD COMMENT The legislature may wish to request specifics on how the program anticipates determining the success of the historic preservation projects and programs. The legislature may also wish to request specifics on the sources of the grants as the program is currently budgeting \$154,000 in federal funds to support this activity.

The Historic Preservation Program proposes adding 500 new cultural resource inventory reports to the electronic state Database each year.

LFD ISSUE Proposed measurements appear low based on previous successes

The program is on track to enter 2,000 inventory reports onto the state database in the 2009 biennium or twice the number of the proposal in the 2011 biennium. The legislature may wish to request the Historic Preservation Program propose a higher measurement for the next biennium as the program funding and resources have not been decreased over those in FY 2008 when the program achieved 2.4 percent or over 1,000 records in a single year.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Governor.

Program Funding Table Historic Preservation Program						
Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 144,247	23.6%	\$ 71,017	11.1%	\$ 86,325	13.5%
01100 General Fund	144,247	23.6%	71,017	11.1%	86,325	13.5%
03000 Total Federal Special Funds	463,699	75.8%	563,696	88.3%	549,893	85.9%
03021 Historic Sites Preservation	463,699	75.8%	563,696	88.3%	549,893	85.9%
06000 Total Proprietary Funds	3,782	0.6%	3,949	0.6%	3,958	0.6%
06073 Historical Society Management	3,782	0.6%	3,949	0.6%	3,958	0.6%
Grand Total	\$ 611,728	100.0%	\$ 638,662	100.0%	\$ 640,176	100.0%

The program is funded through a combination of general fund, federal special revenue from the National Park Service (NPS), and proprietary funds. The executive proposes increasing general fund by almost 16 percent when compared to the 2009 biennium.

LFD ISSUE

Federal funds are overappropriated by \$4,420 in FY 2010 and underappropriated by \$9,383 in FY 2011.

The NPS federal grant award was increased in FY 2008 to \$663,000. The program manager anticipates that the federal Historic Sites Preservation grant funding will remain static at the 2008 level or \$663,000 each year of the biennium. A portion of the grant funds pay federal indirect costs and are budgeted in the Administration Program.

The executive proposes \$4,420 more in federal appropriations than the FY 2008 grant award in FY 2010 and \$9,383 less in FY 2011. In FY 2011 the underappropriation of federal funds can result in general fund savings of the same amount

Option: The legislature can:

- Decrease federal special revenues by \$4,420 in FY 2010 and either reduce program costs or increase general fund by the same amount
- Increase federal special revenues by \$9,383 in FY 2011 and decrease general fund by the same amount

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	144,247	144,247	288,494	183.35%	611,728	611,728	1,223,456	95.67%
Statewide PL Adjustments	6,351	6,708	13,059	8.30%	26,934	28,448	55,382	4.33%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	(79,581)	(64,630)	(144,211)	(91.65%)	0	0	0	0.00%
Total Budget	\$71,017	\$86,325	\$157,342		\$638,662	\$640,176	\$1,278,838	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Governor. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2010-----						-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds		FTE	General Fund	State Special	Total Funds
Personal Services					31,977					33,147
Vacancy Savings					(19,888)					(19,935)
Inflation/Deflation					206					222
Fixed Costs					14,639					15,014
Total Statewide Present Law Adjustments					\$26,934 *					\$28,448 *
Grand Total All Present Law Adjustments					\$26,934					\$28,448

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** – As of October 2008, the Historic Preservation Program estimates employees will be at 88 percent of the 2008 market survey after implementing HB 13 pay plan increases. This is below the agency market target of 106 percent.
- o **Vacancy** – The program experienced a very small percentage of vacancies
- o **Legislatively applied vacancy savings** – The agency, as a whole, left positions vacant to ensure they were able to attain the legislatively applied vacancy savings.
- o **Pay Changes** – The program states questions related to pay changes outside of those approved by the legislature in HB 13 were not applicable to the program.

LFD COMMENT	A review of pay changes made in the program shows that approximately 31.5 percent of the pay changes made in FY 2009 were for strategic pay retention of current employees which are outside of HB 13. The program received a transfer of personal services appropriation authority from the Administration Program during the fiscal year in part to offset the additional costs of the pay changes
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- o **Retirements** – The program anticipates one retirement in this program. To meet legislatively applied vacancy savings the position may need to remain open for a longer period of time than required to fill the position which could impact administrative operations.

New Proposals

New Proposals										
-----Fiscal 2010-----						-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 23 - Pgm 06 Align Funding										
06	0.00	(79,581)	0	79,581	0	0.00	(64,630)	0	64,630	0
Total	0.00	(\$79,581)	\$0	\$79,581	\$0 *	0.00	(\$64,630)	\$0	\$64,630	\$0 *

DP 23 - Pgm 06 Align Funding - - The Historical Society requests changes in funding in FY 2010 of \$79,581 and FY 2011 of \$64,630 from general fund to federal funds in order to align projected revenues with projected expenditures for the 2011 biennium.

LFD COMMENT	The executive's proposal to align funding in this program results in the under and over appropriation discussed in the funding narrative. If the legislature determines it will adjust the appropriations, the funding changes in this decision package would be changed.
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